

## EXECUTIVE SUMMARY

### **Purpose**

Capital planning has a fundamental purpose to good management: conducting thorough analysis of future needs, monitoring and evaluating projects throughout their implementation, and conducting appropriate maintenance of capital assets. Detroit's capital planning process is directed toward overall city priorities established through citywide strategic planning. The process uses a long-term outlook within agencies and on a citywide level to set core service priorities, refocus and redirect city resources toward them, and measure performance toward service outcomes. Policy and the budget – both operating and capital – are utilized in tandem.

The Capital Agenda is a requirement of the City Charter to be produced in every even numbered year. The Charter states the type of information that should be contained in the Capital Agenda and the review and approval process.

### **Charter Requirement**

The City Charter, as amended in 1997, requires that on or before December 1 of each even numbered year, the Mayor shall submit to City Council a proposed Capital Agenda. The City Charter then specifies the type of information that should be included in the document. The Capital Agenda should contain:

- a. All physical improvements and related studies and surveys, all property of a permanent nature, and all equipment for any improvement when first erected or acquired, to be financed during the next five years in whole or in part from funds subject to control or appropriation by the City, along with information as to the necessity for these facilities; Capital expenditures which are planned for each of the next five years;*
- b. The estimated annual cost of operating the facilities to be constructed or acquired and*
- c. Other information pertinent to the evaluation of the Capital Agenda.*

The City Charter also specifies that for each purpose, project, facility or other property that the Capital Agenda should indicate the source of funds and the amount of funds that have been expended, intend to be spent or encumbered before the next fiscal year and for each of succeeding five years. The information can be revised or extended each year for capital improvements that are pending or in process. Some departments have regular continuous capital improvement projects that will extend from one Capital Agenda to the next. This information is then revised to reflect current conditions.

### **Capital Agenda Process**

The Capital Agenda process begins with the issuance of a directive from the Budget Director to all departments with capital programs. The Budget Directive outlines the type of information required and the due dates. It begins with a statement that the preparation of the Capital Agenda is Charter requirement and must include all capital projects, which are “to be financed... in whole or in part from funds subject to control or appropriation by the City”. This all-encompassing statement requires then that all General City, Enterprise Agencies and

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### Capital Agenda Process (Continued)

other “quasi- public/private” entities (i.e., Economic Growth Corporation) with capital programs submit information for the Capital Agenda. This information should be submitted regardless if, they are using general obligation bond funding or receive grants- (state or federal) or private funds only.

The Capital Agenda is comprised of a narrative description of the department’s capital plan and a spreadsheet summary of the plan. The narrative section of the Agenda provides background information on the agency and briefly outlines the proposed future capital needs of the agency. A description of the agency’s mission and current facilities, goals and rationale of the capital program helps the reader of the document to evaluate the capital needs of the department. The Interdepartmental Capital Relationship section was added to address projects and activities that cross agency lines. A discussion of those projects that are administered in conjunction with other agencies or those that require action or funding from other agencies helps both internal and external users of the document. A discussion of the department’s recently completed projects and their proposed capital plan provides a look back over the last five-years, as well as, a look forward to the next five- years of capital activity. As part of the narratives, we include a description for each project included in the proposed five-year plan. The description should include the physical attributes of the project, service improvements expected and any changes to operating costs or revenues, the population or geographic area to be served, and the relationship of the project to existing facilities. Any information that justifies the need for the project should be included in the narrative description of the project. American with Disabilities Act (ADA) requirements should be addressed in each agencies capital plan. We also ask that projects located within the empowerment zone be designated as such. In general, revisions to an agency’s capital plan should reflect new projects and/or new priorities, revised project costs and updated project descriptions.

The spreadsheet summary of the agency’s capital plan provides the anticipated funding requirements for each project for the current fiscal year and the next five-years. Projects should be listed in priority order (from the highest priority to the lowest). Each project should be evaluated and should indicate the following:

1. project status: new development or maintaining current infrastructure
2. project timeline: project is proposed or on-going or underway-1 time only
3. impact on budget: increase or decrease in operating funding required or no impact
4. impact on staffing: increase or decrease in staffing levels required or no impact
5. operating impact (in dollars): determine the annual operating cost or savings associated with the completion a project.

Each funding source for a project should be identified, if available. Projects with questionable funding are shown as unprogrammed. The current year’s budget as approved by City Council is shown. Also, listed is the amount of authorized/unissued general obligation bonds. This provides the authority, upon City Council’s approval, to sell bonds for an approved project.

In an effort to create a more comprehensive user-friendly document, we encourage all agencies to submit graphics, maps and any other information that would help convey to the reader the nature of the agency’s capital plan.

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### **Capital Agenda Process (Continued)**

To facilitate the preparation of the Capital Agenda, training is provided to each participating department. This can be done either on a group or individual basis.

Hearings with the Budget Director are scheduled for each participating agency to allow the agency the opportunity to discuss their capital program, to emphasize key activities and needs and to discuss any issues, concerns or other pertinent matters.

After the Capital hearings, the Budget Department, in conjunction with the Planning and Development Department performs a review of the capital plans. Upon completion of the review, the Budget Department will submit recommendations to the Mayor, who in turn will submit his five-year Capital Agenda to the City Council, on or before December 1 (in accordance with City Charter).

### **Capital Planning and Implementation**

The City of Detroit's capital improvement planning process occurs in two stages. The Capital Agenda is a long-term planning document that provides a great deal of information regarding past projects, future plans and financing alternatives for the current budget year and the next five years. This document describes the projects under construction and those being planned or proposed by each department or agency, including possible funding sources. The Capital Agenda is a planning document and thus it not a legally binding commitment for/or to any particular project. As a result, as you review the document, you may see that certain projects do not have an identifiable funding source.

The annual budget is the controlling document for capital projects. It is the legal commitment of the City and, as such all funding sources for projects contained in the annual budget must be identified. The allocation of capital resources faces some of the same constraints that exist for allocating operating funds. In some instances, the operating and capital needs of a department are competing for the same dollars (usually General Funds), and in other cases, departments may be competing with each other for a "limited pot" of debt financed capital.

The capital portion of the City's budget is different from the operating portion, in that funds for capital projects are balanced forward to a subsequent fiscal year, if not completed. This is normally the case with grant or debt financed projects.

The City has used four basic resources for funding capital projects: bonds, cash capital (cash from operations), grants-federal/state/private, and dedicated taxes.

There are three types of bonds used to finance capital projects: general obligation bonds-unlimited tax; general obligation bonds-limited tax; and revenue-supported bonds.

### **General Obligation Bonds**

The voters of the City of Detroit, as required by the State Constitution, must authorize unlimited-general obligation bonds. These bonds are repaid from a specific property tax levy. It has been City policy to go to a vote-of-the people every three years. Normally, the City requests approval for a broad category of projects with sufficient authorization to cover

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a 3 to 5 year period. The City received authorization for \$215 million in November 2004, for capital projects in the following categories:

Neighborhood Redevelopment and Economic Development Programs	\$ 19,000,000
Public Safety Improvements	\$120,000,000
Public Lighting Service	\$ 22,000,000
Recreation, Zoo and Cultural Facilities	\$ 22,000,000
Transportation	\$ 32,000,000

Voter authorization was received in April 2003 for \$6 million for the Charles H. Wright Museum African-American History for a new core exhibit project.

Limited tax-general obligation bonds do not require voter authorization (unless requested by a petition). These bonds are repaid from General City operating funds. Accordingly, issuing limited-tax bonds will reduce the amount of funding for future operations and are only issued in special circumstances (i.e. Deficit Funding Bonds).

Revenue bonds are bonds whose repayment is based on rates, charges, or special revenues of a particular enterprise or agency. Examples of revenue bonds are water and sewage debt, parking system debt and tax increment debt.

### Investment Earnings

The City can allocate investment earnings on general obligation bond proceeds to projects that have had prior voter authorization. The projects to be funded are decided during the budget development process. The City can also allocate investment earnings to reduce the debt service millage rate. In addition, investment earnings of certain debt retirement funds (such as Cobo Hall) may be dedicated to capital improvements. Investment earnings on enterprise fund (Water, Sewage, Parking) bond proceeds are used for ongoing capital projects.

### Cash Capital

The City may allocate unrestricted general fund revenues for capital projects. For General Fund agencies, the amount of current funds dedicated to capital is a budget allocation decision.

### Grants/dedicated Taxes

Certain City agencies receive dedicated funds from State and Federal sources. These funds normally have special reporting requirements of the recipient agencies. An example of dedicated taxes is the incremental financing authorities (i.e. TIFA-Tax Increment Financing Authority-see section on other financing entities).

## **Department Highlights**

The Proposed Capital Agenda for fiscal years 2006-2010 reflects the need of the City to bring its facilities into compliance with national laws, regulations and standards, as well as, the City's on-going quest to maintain and preserve it's infrastructure. The City's main tool for financing capital projects for General City Agencies is general obligation bonds. Normally, our general obligation bond program is limited to \$40- \$50 million annually due to internal and external pressures to control our debt levels (rating agency reviews, property tax

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levies, market conditions, etc). However, agency requests for these bond funds continues to range 2 to 3 times greater than our capacity to sale. Our current 5-year plan presents a general obligation bond program of \$50 million annually due to some one-time multi-year projects. The need is great, but our resources continue to be limited. So the challenge before us is how to maximize our efforts to meet the needs of the City and the concerns of its citizens with the resources that are available. We believe that we can meet these challenges through prudent planning, proactive implementation and constituent support.

This Proposed Capital Agenda for five-year period ending 2010 reflect an average annual capital program citywide of more than \$3 billion from all funding sources. The details of the program are shown in the Departmental Programs section of this book. A brief outline of each agency's capital program is highlighted below.

**36<sup>th</sup> District Court** would like to expand its courtroom offerings by modifying the building to allow for an additional floor. This will help alleviate space problems, as well as, provide additional safety features.

**Airport** plans to address its FAA requirements with the continuation of Phase II-V of the mini-take program. They also would like to address needs for terminal renovations, runway upkeep, security needs and some facility upgrades.

The **Detroit Institute of Arts** is completing the first phase of their master plan and is embracing the challenges presented in phase II of their revised plan. The master plan calls for major building renovations to the North and South wings and the construction of a new addition for exhibition and educational use. The total capital program is projected to cost \$91 million from private and public funds- \$25 million in general obligations bonds has been authorized for this project, \$4.850 million remains to be sold. The first phase of the project is expected to be completed in FY2006.

**Civic Center** capital program focuses on some deferred capital improvements, as well as updating/renovating old-worn facilities at Cobo Hall, to better serve its clientele and the visiting public and also to remain competitive in the convention market. Through refunding efforts on existing debt, Civic Center was able to address some of its outstanding issues.

The much-anticipated new core exhibit at the **Charles H. Wright Museum of African-American History** is scheduled to open in November 2004. Their five-year capital plan continues to address some lingering facility improvements dating back to the opening of the new facility, as well as, a planned new gallery.

**Environmental Affairs** presents their plan to address the environmental concerns of the City. They will work with Planning and Development, other city, state and local agencies in the areas of re-development and brownfield cleanup.

One of the **Planning and Development Department** goals is to foster economic development in the City of Detroit. They provide various types of assistance to those interested in residential and commercial development in the City. The areas of assistance include land assemblage in conjunction with the disposition of public land, affordability

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subsidies and technical assistance. Major re-development projects are presented in this Agenda.

The **Department of Public Works** and the **Street Capital Program** emphasizes road repairs and improvements and facility improvements that support the mission of the department. Improvements to the street maintenance garages and new salt storage facilities are planned.

A new Fire Training facility and Fire station renovations and replacement for those stations determined too costly to renovate is the primary focus of the **Fire Department** capital program.

**Health Department** capital plan includes on-going improvements to the Herman Keifer complex, its satellite facilities and the construction of a new animal control facility.

Building expansion and collection storage needs are priority projects for the **Historical Museum**. A new building addition to showcase 20th century life in Detroit will be a major capital campaign for the museum that will require both public and private support.

Maintaining the structural integrity of the Main Library and maintaining the branch libraries are of concern to the **Detroit Public Library**. Infrastructure improvements to the marble façade at the Main Library, as well as, roofing, mechanical and electrical system repairs/upgrades are needed at both the main library and branches.

**Municipal Parking** continues its program of parking structure improvements to be funded with revenues from the system. They are also planning for construction of a new parking facility.

Projects to bring the **Police Department** into compliance with a federal Consent Decree are the highest priority of the department and the City.

Maintaining its infrastructure is still the primary goal of the **Public Lighting Department**. Substantial funding requirements are still needed for maintaining street lighting infrastructure, new developments, substation improvements and traffic signal utility which are on-going concerns.

**Recreation Department** continues to present a structured program of improvements to its parks and recreation facilities. The Department has a vast array of facilities, recreational lands, parks, playscapes, trees and boulevards that it must maintain. The program continues to look for ways to address community concerns for service improvements.

The **Department of Transportation** continues its program of fleet replacement and facility renovations. Major investments planned include the acquisition of new buses. A Downtown Intermodal Transit Center and the Downtown Mobility Management System is needed to accommodate new development occurring in downtown Detroit. Funding is primarily provided from Federal grants.

The **Detroit Water and Sewerage Department** capital program includes a number of projects to rehabilitate and improve aging water and sewer system facilities. The

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construction of new transmission mains will provide for more reliable and increased water supply.

Improvements of the Sewage Disposal System include replacing, rehabilitating or improving existing facilities at the wastewater treatment plant, pumping stations and major sewers. New construction of retention basins and combined sewer overflow systems and computerization upgrades are also included.

**Detroit Zoological Institute** has completed an impressive list of new facilities and exhibits in the last few years that promotes the Zoo's mission of preservation of wildlife. Next, is the construction of the Belle Isle Nature Zoo, as well as, projects that maintains the infrastructure of the Main Zoo